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Canada

# International Freight Forwarding in Canada

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## International Freight Forwarding in Canada

Transporting products from the production site or from the exporter's dock to the final destination is a complex undertaking. Using the services of an international freight forwarder has many advantages and is often the recommended option for agricultural exporters, particularly when penetrating new or difficult markets such as developing countries (1). International freight forwarders act on behalf of exporters in arranging transportation services. The freight forwarder

facilitates the international movement of goods by providing a wide range of advisory, administrative and physical services to the exporter. International freight forwarders are multi-modal transportation specialists and are well placed to select the method of transportation best suited for the type of product and the final destination at the lowest cost. Most freight forwarders handle land, ocean and air transportation but usually have separate departments. Freight forwarders distribute approximately 15 per cent of Canada's international shipments (2,4).

The freight forwarding industry in Canada consists of some 280 companies which employ about 15,000 employees. Their approximately 1,000 offices are located in some 150 locations across the country. Eighty per cent of the firms receive 60 per cent of the business and their offices are mainly found in Montreal, Toronto and Vancouver (2).

Most international freight forwarders in Canada are members of the Canadian International Freight Forwarders Association (CIFFA), a well respected professional association. CIFFA is a member of the International Federation of Freight Forwarders Associations (FIATA). When selecting a freight forwarder, an exporter should verify that the company in question is a member of CIFFA. Members are required to carry minimum liability insurance coverage and must adhere to standard trading practices and responsibilities for freight forwarders (1).

One should make a distinction between international freight forwarders and custom brokers. The latter specialize primarily in Canadian import customs formalities and may not have experience and knowledge of international transportation or/and an international network of contacts.

The transportation industry is in the process of complying with ISO 9000, the quality standard classification. The ISO 9000 classification sets standards for good management practices based on an international consensus. Some international freight forwarders are already certified ISO 9000 or have taken steps to become certified (2).

## Functions of the International Freight Forwarder (3)

The CIFFA defines the role of the freight forwarder as follows. The most elementary role of the international freight forwarder is to arrange for the movement of goods from point A to point B, in accordance with the client's instructions, in the most economical, timely and safe fashion. The ten major functions a forwarder can perform are:

**a) Best Routing:** Freight forwarders can recommend the best (economical/timely/safe) routing and book space with a carrier. Thanks to more efficient routing an exporter's goods may be more competitive in new markets.

**b) Packaging:** They advise on or arrange for appropriate packaging, marking and labelling; or containerization. This includes directions on stowing and container use.

**c) Customs Clearance:** Freight forwarders need a basic knowledge of how local and foreign customs clearance works, and what papers are required for it. They give advice on foreign import regulations.

**d) Transport Insurance:** Unless the exporters make their own insurance arrangements, the forwarders are usually asked to do so because of their knowledge of the many coverages available, their limitations, coverage of war risks, cargo survey, claims procedure, etc.

**e) Warehousing and Distribution:** Freight forwarders arrange storage, either after customs clearance or while still "in bond", and give advice on facilities, rates and procedures. They also arrange for the distribution of large lots,

including re-labelling and re-shipping.

**f) Rate and Contract Negotiations:** Forwarders command a large volume of freight and are thus in a position of strength to obtain the best possible rates.

**g) Finding Alternatives:** Forwarders are flexible and can find alternative ways of moving the goods in the case of an emergency such as earthquakes, strikes, weather or riots.

**h) Groupage/Consolidation:** Smaller shipments may be moved into a full carload/trailer load/container load, at great savings to the exporter.

**i) A World-Wide Network:** With branches or correspondents in all major ports/cities they act as groupage or degroupage agents, attend to reforwarding and customs clearance and are available for advice and consultation.

**j) Follow-Up:** Forwarders stay in touch with their customers and see to it that their shipments, once delivered to the carrier, do indeed move out and reach their destination (3).

Freight forwarders can provide the exporter with an initial quotation on the following: cost of freight; port charges; consular fees; cost of special documentation; cost of insurance; fee of the freight forwarder. All this information may be used to prepare an accurate price quotation for the foreign buyer.

## Advantages

Because of the economies of scale, the freight forwarders are able to offer transportation consolidation services that are often cheaper than those the exporter could arrange directly with the transportation company. The forwarder can consolidate the shipment with other small shipments from several clients into a larger, more economical load if the exporter has insufficient volumes to fill a rail car, ocean container or highway truck. The final cost of a full load is less for everybody involved. At the destination, the freight forwarder or agent will unload and deliver the "deconsolidated" shipment to its destination in the target country (2).

Similar savings may be attained when freight forwarders negotiate volume discounts for clients or by using the freight-all-kinds (FAK) rate system. In this case one rate is charged although different commodities are combined in a shipment.

Small firms may not want to develop an in-house transportation management unit and are better off using the services of an experienced international freight forwarder.

## Selecting a freight forwarder

It should not be too difficult to find a suitable freight forwarder. The new exporter can obtain recommendations from other exporting firms or trade specialists. Also trade associations may be helpful. If you are exporting for the first time it is wise to speak with several freight forwarders before to decide which one to use. When selecting an international freight forwarder be sure to consider the company's references and relevant experience in the destination country. The following questions should also be considered:

a) Is the freight forwarder a member of CIFFA?

b) Is the freight forwarder a member of the International Air Transport Association (IATA)? Although not mandatory when dealing with international air cargo, freight forwarders must meet IATA's criteria regarding financial and credit standing, physical facilities, professional qualifications and ethical practice.

c) Does the freight forwarder have a good credit rating? Check with carriers to see that the freight forwarder has a good payment record. Review a copy of their annual report.

d) Ask the freight forwarder for a list of satisfied customers and call them.

e) Does the freight forwarder have knowledge of and experience with your product, desired shipment method,

carriers and destination country?

f) Does the freight forwarder have a network of overseas agents and an office near the shipping port and in the destination country?

g) Are they agents or owned and operated offices?

h) Do they have electronic communications?

i) Is the freight forwarder large enough to handle your business?

j) Do they have warehousing facilities if needed?

k) Do they have electronic data interchange (EDI) capability?

l) Do they have sufficient staff to handle your shipment?

m) Does the freight forwarder carry "errors and omissions insurance"?

n) Does the freight forwarder have favourable shipping rates and schedules?

o) Does the freight forwarder offer a complete package of services (freight forwarding, brokerage, packaging, etc.)?

p) What services are provided free of charge?

q) Does the freight forwarder have time to answer your questions? (1,2,4)

**As exporter it is important to make your wishes clear to the freight forwarder. The following are pertinent contract elements:**

a) A list of the transportation phases that are the responsibility of the freight forwarder.

b) Contract dates.

c) The date on which the freight forwarder will take charge of the product.

d) The delivery date.

e) A precise description of the delivery address and the names of the contact persons.

f) All the required export documentation.

g) Details of what constitutes proof of delivery to the consignee at the agreed point of delivery or transfer of ownership.

h) Insurance claim file.

i) Contract conditions should be in accordance with INCOTERMS 2000. (1,5)

## Some considerations

At times a freight forwarder may be hired just to arrange for a product to be transported. This service is provided for a fee that will include the services as well as the cost of transporting the goods. The exporter will normally factor in these costs when arriving at the price charged to the foreign buyer. Sometimes freight forwarders specialize in one of two main transportation modes such as sea or air or have experience with one particular country. Some freight forwarders have extensive networks that will prove more effective that others. Only a limited number of freight forwarders truly specialize in the transportation of goods to developing countries.

Sometimes the forwarder will act as a broker for the carrier and will be paid a commission. When acting as the

carrier in contracts with exporters, performing freight consolidation work, forwarders are called non-vessel-owning common carriers. (NVOCCs).

When deciding to use the services of a freight forwarder, the exporter should provide the freight forwarder with a Shipper's Letter of Instructions in addition to all other pertinent documents. This letter will ensure that the forwarder is made aware of any special handling requirements and other administrative needs (2.5).

## Contacts

***For more information, contact:***

1) Canadian International Freight Forwarders Association, Inc.

Mailing Address:
P.O. Box 929
Streetsville, ON L5M 2C5

Physical Address:
2810 Matheson Blvd. E., Suite 200
Mississauga, ON L4W 4X7
Tel. (905)206-1180
Fax. (905) 206-1183
Email: admin@ciffa.com

Mrs. Marilyn Massoud, Secretary-Manager
Mr. H.J. (George) Kuhn, Executive Director
E-mail: massoudm@istar.ca
E-mail: kuhnhj@istar.ca

2) CIFFA members by region: Web site:
http://www.ciffa.com/members/geolist.shtml?lang=EN

3) List of Canadian freight forwarders:
http://www.freightnet.com/canada.html

4) International Federation of Freight Forwarders Association:
http://www.fiata.com/

5) Membership of the Customs Brokers Association of Canada (CBAC):
http://www.cbac.ca/memblist.htm

6) Canadian Society of Custom Brokers:
http://www.cscb.ca/directory/direct.htm

7) List of international freight forwarders:
http://www.freightworld.com/forw_geo.html

8) List of international custom brokers:
http://www.freightworld.com/cust_geo.html

9) Directory of U.S. Freight Forwarders Serving Agricultural Shippers
http://www.ams.usda.gov/tmd/freight/index.htm

10) Directory of U.S. Shippers' Associations for Agricultural Shippers:
http://151.121.3.151/tmd/Shipping/existing.htm

11) Other shipping resources:
http://www.ontrac.on.ca/freight.htm

12) Glossary of transportation terms:
http://www.certransnet.com/information/index.htm

3) Export terms:
gopher://gopher.umsl.edu:70/00/library/govdocs/expguide/eg_app1

## Appendix

## Checklist for Evaluating Potential Freight Forwarders

**Name of Forwarder:**
Telephone/Fax:
Email:
Address:
Person Contacted:
Name:
Title:
Date of Contact:
Nearest Office:

**Branches and Affiliates in Canada:**

**Branches and Affiliates in the Export Markets:**

**Full Service Forwarder:**
Air Freight:
Ocean Freight:
Consolidation:
Banking (Letters of Credit):
Importing:
Exporting:
Brokering (customs):

**Credit Terms:**

**Operating Hours:**
Ocean Freight:
Air Freight:

**Customer References:**

**Overall Rating of Forwarder:**

**To be investigated further:** No ___ Yes ___

(SOURCE: John R. Jagoe's Export Sales & Marketing Manual)

## References:

1) Guidelines on Logistics and Transporation, Canadian International Development Agency, pages 17-19; web-site: http://www.acdi-cida.gc.ca

2) International Trade Logistics; Forum for International Trade Training Inc. 1998; Web-site: http://www.fitt.ca

3) Canadian International Freight Forwarders Association; http://www.ciffa.com

4) Agricultural Marketing Service; USDA; http://www.ams.usda.gov

5) Shipping the product; USA Department of Commerce; http://www.tradeport.org

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